SOUTH DAKOTA BOARD OF REGENTS

<u>Budget and Finance</u>

AGENDA ITEM: 7 – I

DATE: March 30-April 1, 2016

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SUBJECT: FY15 Audit Review

The FY15 Statewide Comprehensive Annual Financial Report (CAFR) was released on January 22, 2016. For FY15 there were no written audit finding for the BOR system.

The campuses and central office staff continue to make improvements in the CAFR process. This year was the second year of the Governors new plan to release the CAFR for Fiscal Year 2016 by December 31, 2016. The campuses and central office compiled and submitted their financial statements two and a half weeks earlier than they did last year. The financial data is now submitted to Legislative Audit (DLA) approximately six weeks sooner than it was two years ago.

The accounting staff at each of the campuses is to be congratulated for their efforts. Not only are they getting things done faster, they continue to improve on their accuracy. This year's results are a product of their commitment. Listed below are the controllers and board office staff who had a major hand in completing this year's financial statements.

Rob Houdek – BHSU
Amy Dockendorf – DSU
Kay Frederick – NSU
Heather Forney – SDSMT
Deb Rowse – SDSMT
Karen Jastram – SDSU
Jim Rogness – SDSU
Shelley Brunick – USD
Melissa Hartnett – USD
Claudean Hluchy– Special Schools
Michelle Elkin – RIS
Dennis Konkler – RIS
Mary Ellen Garrett – BOR
Anne Langdell – BOR
Justin Nagel – BOR
Sherri Stahl – BOR
Scott Van Den Hemel – BOR

With every audit there are always areas that are identified as places for improvement. The central office will sit down with DLA and continue to look for ways to improve our internal controls and other processes. The central office staff and the controllers at the campuses will also meet to discuss ways to improve the process of putting together the financial statement. We will also review any postings that DLA did not make because they did not meet materiality thresholds.

(Continued)

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RECOMMENDED ACTION OF THE EXECUTIVE DIRECTOR

Information only.

This will help identify areas that are potentially problematic in the future and minimize the number of audit adjustments.

Listed in the table below are the number of audit adjustments, dollar value of those adjustments and the impact on the equity. During the audit if DLA finds material errors in the statements they will submit corrections that have to be made. The Board Office then reviews the corrections and classifies them from 1 to 5 with 1 being high priority and 5 being very low priority. An example of a 1 would be an error with a very high dollar amount or a significant beach in procedure. An example of a 5 would be a human error involving a low dollar amount or a reclassification from one expense item to another one. Anything with a rating from 1 to 3 requires a significant review of the error and a plan to eliminate that error in the future. During the last 6 years not only was there a decline in the number of adjustments there was also a decline in the percentage of those that were classified as high priority. For FY15, there are no adjustments to classify.

As important as the number of adjustments is the impact of those adjustments on the Net Equity. To have no change in the Net Equity means that the adjustments, if there are any, are mostly reclassifications. As previously noted for fiscal year 2015, the system achieved the best possible scenario for all three measurements.

Fiscal Year	**# of Audit Adjustments**	**Dollar Value of Adjustments**	**Impact on Net Equity**
2010	54	$502,901,222.92	1.63%
2011	15	$23,673,024.75	0.87%
2012	8	$11,899,084.64	0.68%
2013	5	$3,021,544.72	0.23%
2014	11	$188,588,386.54	0.00%
2015	0	$0.00	0.00%